

No seat in electric vehicle race? Nickel miners, chipmakers are good proxies

A lack of direct EV stocks in Singapore has driven analysts to look up and downstream for beneficiaries of wider EV adoption

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HOW can investors looking to electric vehicle (EV) exposure do so besides investing in Tesla?

While there are no major listed EV players on the Singapore bourse, analysts suggest that investors look up and downstream at nickel miners, battery manufacturers, chipmakers, as well as motor traders and vehicle testing companies, in Singapore and regionally, for opportunities.

Maybank Investment Bank research analyst Liaw Thong Jung said not all Asean countries are progressing at the same pace in formulating their respective EV roadmap to attract mega projects, investments and infrastructure.

Thailand, Indonesia and Singapore are at the forefront, charging ahead with various incentives and taxes, while Malaysia and the Philippines are lagging behind and still largely focused on internal combustion engine (ICE) cars.

Mr Liaw has "buy" recommendations on motor traders Bermaz Auto, UMW, and MBM Resources as well as conglomerate Sime Darby, which all have an ESG agenda. For instance, Sime Darby's motor segment sells EV and plug-in EV products, supported by its principals.

DBS Group Research senior analyst Eun-young Lee noted that within the region, Indonesia's nickel sector should also be a key beneficiary, as the country is the largest nickel producer in the world, and nickel is a key component for battery manufacturing. She considers Indonesian miners Aneka Tambang and PT Timah as potential buys.

"In the Singapore market, Silkroad Nickel listed on the Catalist would be a player as it owns a nickel mine in Indonesia," she said. Last month, Silkroad Nickel signed an exclusive term sheet with lithium-compound producer Ganfeng Lithium to tap the growing EV industry.

Carmen Lee, head of OCBC Investment Research, expects more EVs to enter the Singapore market, on the heels - or wheels - of Tesla.

"Some of the regional car companies listed in China and Hong Kong include BYD Co, Geely Automobile, Guangzhou Automobile, Great Wall Motor, Brilliance China Automotive, BAIC Motor and DongFeng Motor.

"Over time, even traditional carmakers will introduce electric vehicles as global economies strive to reduce waste, reduce fuel consumption and aim for a greener planet. Battery makers are also likely to benefit, and this will include BYD too," she said.

While there are no direct EV players in Singapore, for an indirect play, she suggested investing in ST Engineering. The company said in its earnings call last week that EV charging is a new frontier for the firm, and its urban solutions group is looking at how to capitalise on this trend to develop EVs and charging infrastructure.

Already, the self-driving buses it developed are on trial at Singapore Science Park 2 and Jurong Island until end-April.

CGS-CIMB analyst William Tng said semiconductor chip makers will also benefit from growing EV adoption. "More EVs mean more semiconductor chips used in cars, so indirect names (that make semiconductor parts for end-customers that are themselves either chip makers or equipment suppliers to these chip makers) such as UMS Holdings, AEM Holdings and Frencken Group will benefit," he said.

Mainboard-listed Avi-tech Electronics, which does burn-in testing for automotive electronic components is also a likely beneficiary, despite recent ratings downgrades in light of a global shortage of auto chips caused by supply chain disruptions.

Meanwhile, Lamborghini and Alfa Romeo distributor EuroSports Global has seeded its subsidiary in developing a fully electric and intelligent motorcycle, Scorpio EST-X1, targeted to be launched later this year.

RHB Singapore head of equity research Shekhar Jaiswal believes the best way to gain EV exposure in Singapore's listed market would be through ComfortDelgro's subsidiary Vicom, which does vehicle inspections. "Vicom already does vehicle inspections for ComfortDelgro's hybrid taxi fleet, and offers inspection service for EVs as well. Eventually with the push from the government for more EVs, there would be a larger vehicle population switching from ICE to EV, for which you will need regular testing and inspection. This is one listed entity that can gain from this transition to EV from ICE vehicles," he said.

ComfortDelgro has also been trialling EVs, with the intent for mass rollout once they become commercially viable.

Banks that offer green car loans will also be able to participate in the growth of EVs when they hit the market down the road. Tesla has roped in DBS Bank as its preferred partner for loans, while OCBC Bank has partnered Charge+, a provider of EV charging infrastructure, to help it extend its network through its real estate clients. They will also work together to encourage OCBC customers to purchase EVs and charge them at Charge+ charging points.

"It's a chicken and egg story," Mr Jaiswal said. You don't have enough cars, so there's no incentive to build the infrastructure. Without the infrastructure, you wouldn't have enough cars."

Private players also need commercial viability before they will take on mass development of charging stations, he added.